

## **MSU Responses to LFD request regarding Administrative Assessments**

- 1) How each university (UM and MSU) determines your rates and what those rates are for the 2009 biennium (and some historical information as well)?

### **MSU's rates are based on Five Distinct Cost Share Calculation Methodologies**

- Total Operating Expenditures  
Used for "expenditure-related" services such as Controller's Office
- Total Employee (FTE) Quantity  
Used for such related services as Payroll Office
- Hazardous Materials Management Disposal Volumes  
Used just for that particular service
- Building Square Footage (Based upon occupant & funding source)  
Used for services such as Custodial and Maintenance
- Actual Consumption  
Used for Heat and Electricity (annual costs are projected for budgeting purposes, but billed on actual consumption)

An Excel Summary of FY04-FY09 Overhead Cost Distributions is attached.

- 2) What is the logic/rationale for the rates and the process used to determine these?

#### **Rationale**

- The State appropriates money to each agency for the direct costs of fulfilling the activities of its distinct mission, and for the overhead and infrastructure costs which are necessary to support those activities.
- At the Bozeman campus, over twenty different centralized services are provided, by the University, for four other MSU and State agencies and five major non-appropriated entities on the campus.
- It is the University's understanding that the State expects us to distribute the costs of our central services to all non-educational entities, so that neither our State educational appropriation, nor our tuition revenue, is used to pay for central services that are being provided to others.
- AES, ES, and FSTS are not part of the MUS educational units appropriation, and the University views this legislative distinction as an expectation that the Agency appropriations should not be used to subsidize the University's education budget, nor vice versa.

#### **Cost Distribution Process**

- This annual process involves the distribution of overhead costs to entities that receive centralized services from Montana State University – Bozeman.
- The University's goal is to maintain a fair and verifiable process that is based on measures which are directly related to each centralized service, and each entity's level of use.

- The University's process does not take funds from entities (such as AES) for use by departments unrelated to the services being provided (like an instructional department).

All overhead amounts are calculated on specific services and levels of use, and the resulting fund transfers are used only for the purpose of reducing the overall cost of those service departments within the MSU budget.

- The related agencies and entities of MSU receive a direct benefit from the centralized services that are provided.

In addition, due to the economies of scale, the unit cost of these services would be considerably more if each entity attempted to provide its own.

The Operating Expenditures, Employee FTE, and Hazardous Materials Management Disposal Volumes used in the calculations are always two years in arrears because that is the most current system data available, i.e. FY06 data is used to calculate FY08 Administrative Assessments/Recharges.

The Office of Facilities Services (OFS) uses Building Square Footage for the majority of physical plant services they recharge. Utilities are based on OFS projections at the time the schedule is developed. However, utility calculations are only an estimate for the entities being recharged; actual utility charges are assessed during the fiscal year.

**3) How often are the rates and formulas updated and adjusted?**

The rates are adjusted annually. Thus, if an entity's proportionate share of expenditures or FTE decreases, this would be reflected in their proportionate share of recharges.

**4) Who/which entities are charged administrative assessments/recharges in each of your institutions?**

***Major Entities in the Overhead Cost Distribution Process***

Residence Life & Food Services  
Student Health & Dental Services  
Stadium & Fieldhouse  
Strand Union Building  
Research/G&C Program

Extension Service & ES Potato Lab  
Agricultural Experiment Station  
Fire Services Training School  
Vet Lab & State Livestock Board

**5) Are all entities charged in an identical manner or may there be different rates for different entities...and if there are any differences why?**

Entities are charged in an identical manner, i.e. their proportionate share of centralized services.

**6) Are there entities or operations that are exempt from paying these rates...and if so, why?**

Some credits are applied to AES and ES to assist with their budget constraints. Credits are applied to Institutional Support services that exceed 2.5% of their total expenditures. Credits are also applied to University Police services as those services used to be reported under Institutional Support and are now reflected under Physical Plant services. Credits are also applied to 2/3 of AES and ES AgBio costs.

Research also receives credits as they provide support to other areas of the University, i.e. Library, Information Technology.

- 7) Are the smaller unit campuses charged any rates for any of these services provided by the main campus...why or why not?**

No, MSU-Billings, MSU-Northern, and MSU-GF COT have their own centralized institutional support and physical plant services.

FY04-FY09 Overhead Cost Distributions

	FY04	FY05	FY06	FY07	FY08	FY09
<b>Institutional Support</b>						
Personal Services	891,697	920,944	893,264	939,858	971,439	1,013,185
Operations	595,015	615,875	594,839	652,412	669,834	684,654
Total Instit. Support	1,486,712	1,536,819	1,488,103	1,592,270	1,641,273	1,697,839
Instit. Support % Incr		3.37%	-3.17%	7.00%	3.08%	3.45%
<b>Physical Plant</b>						
Personal Services	689,468	733,222	725,934	774,776	788,601	822,386
Operations	905,130	1,043,283	1,412,772	1,453,345	1,494,552	1,536,549
Total Physical Plant	1,594,598	1,776,505	2,138,706	2,228,121	2,283,153	2,358,935
Phys. Plant % Increase		11.41%	20.39%	4.18%	2.47%	3.32%
<b>Utilities</b>						
Utilities	1,908,586	2,060,843	2,797,839	2,871,719	3,095,390	3,169,729
Utilities % Increase		7.98%	35.76%	2.64%	7.79%	2.40%
<b>Instit. Support/Phys Plt Totals, Excl Utilities</b>						
	3,081,310	3,313,324	3,626,809	3,820,391	3,924,426	4,056,774
		7.53%	9.46%	5.34%	2.72%	3.37%
<b>Instit. Support/Phys Plt Totals, Incl Utilities</b>						
	4,989,896	5,374,167	6,424,648	6,692,110	7,019,816	7,226,503
		7.70%	19.55%	4.16%	4.90%	2.94%

Significant RMTDD Insurance Increases in past biennia